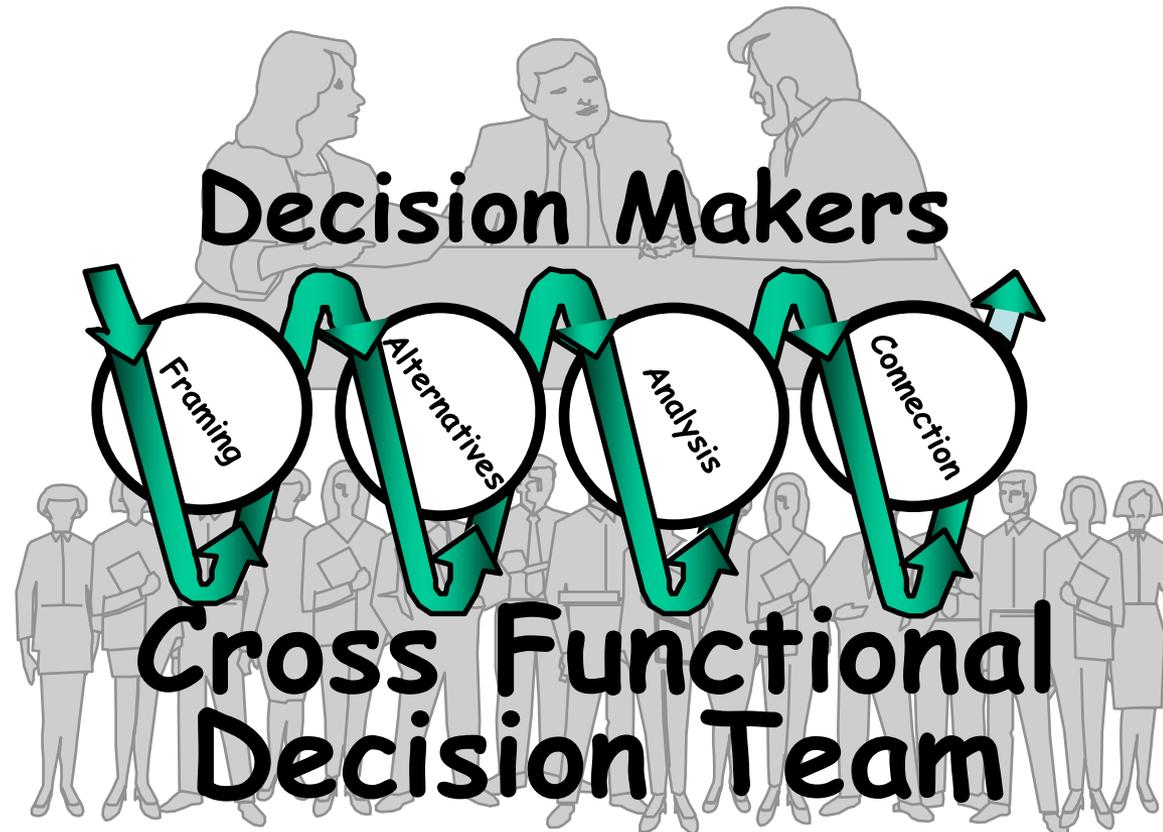
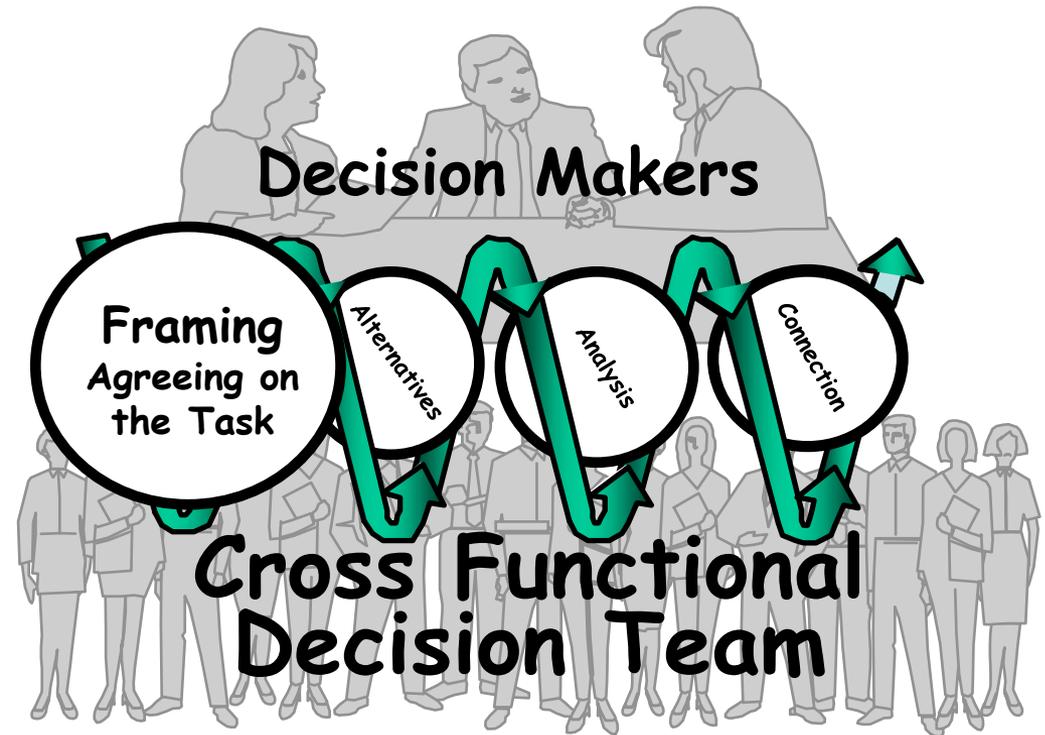


# A Strategic Decision: GM's Product Portfolio Vision 2000 (aka V2K) Using the Dialogue Decision Process



# *First Step of the Decision Process - Framing*



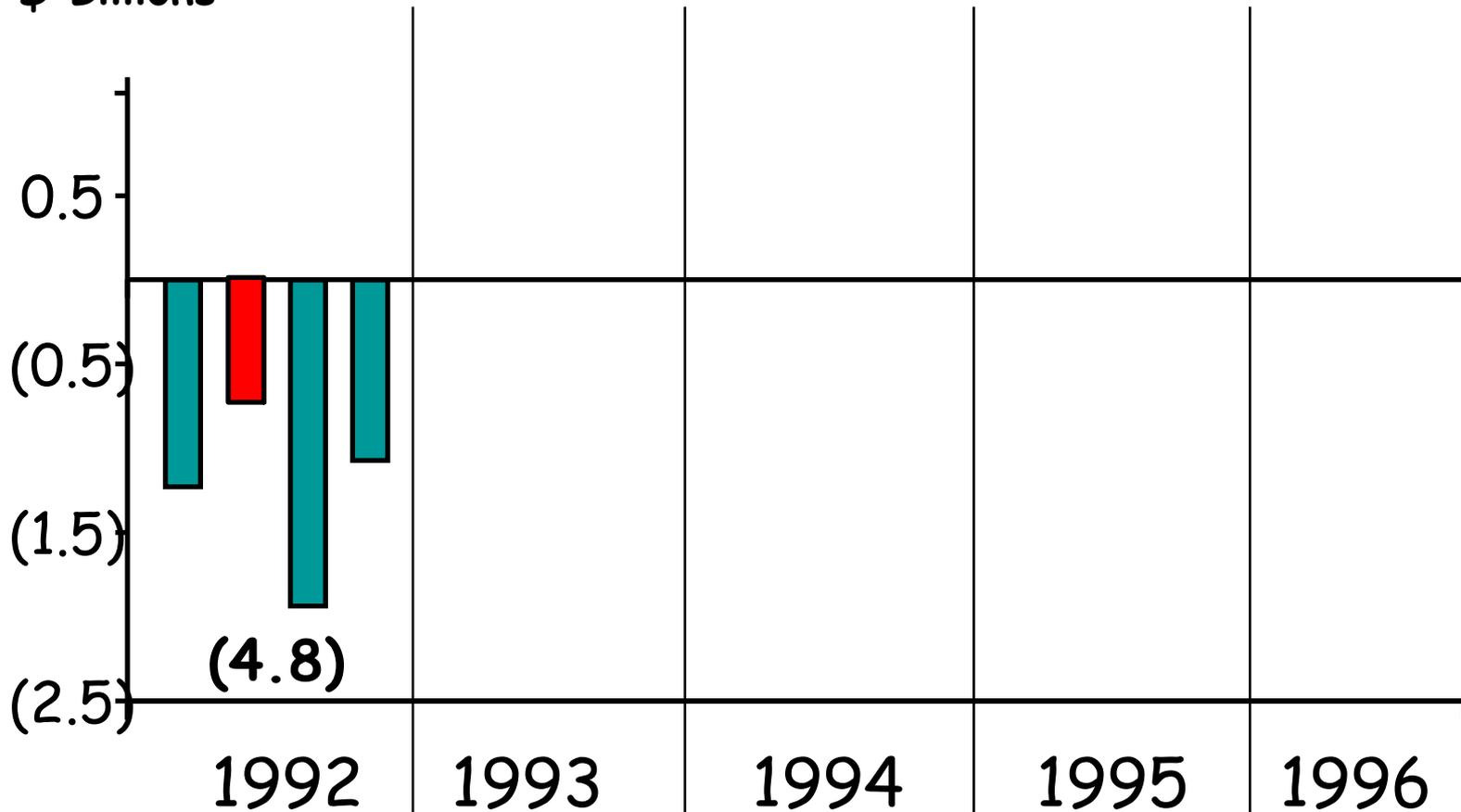
“... a problem poorly defined will never be solved. This is what the framing stage of the DDP is all about: identifying the problem to be solved, or the decision to be made.”

# *First Step of the Decision Process - Framing*

## *1992 Financial Results (preliminary)*

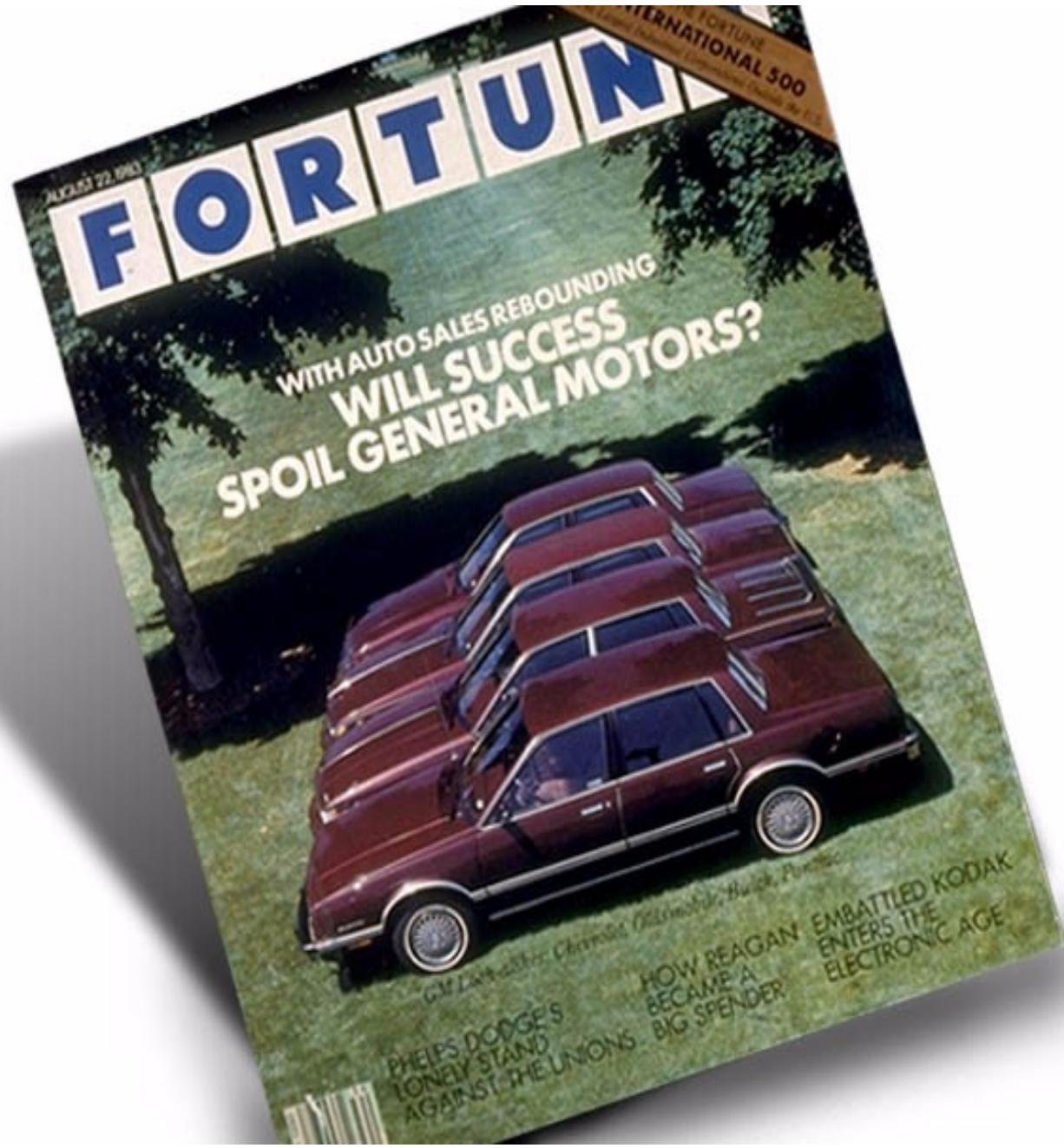
### **GM-NAO\* Net Income by Quarter**

\$ Billions



\*Includes Delphi Automotive Systems; excludes special items

# *First Step of the Decision Process - Framing*



# *First Step of the Decision Process - Framing*

## **PRODUCT SEGMENTATION**

This segmentation scheme groups vehicles which are perceived by customers as similar (or substitutes).

Vehicles are grouped in product segments based on second choice market research data derived from the question: "If the vehicle you just purchased was not available, what other vehicle(s) would you have purchased." If one vehicle is mentioned frequently as the second choice of another vehicle, they are assigned to the same product segment.

# *First Step of the Decision Process - Framing*

## **PRODUCT SEGMENTATION**

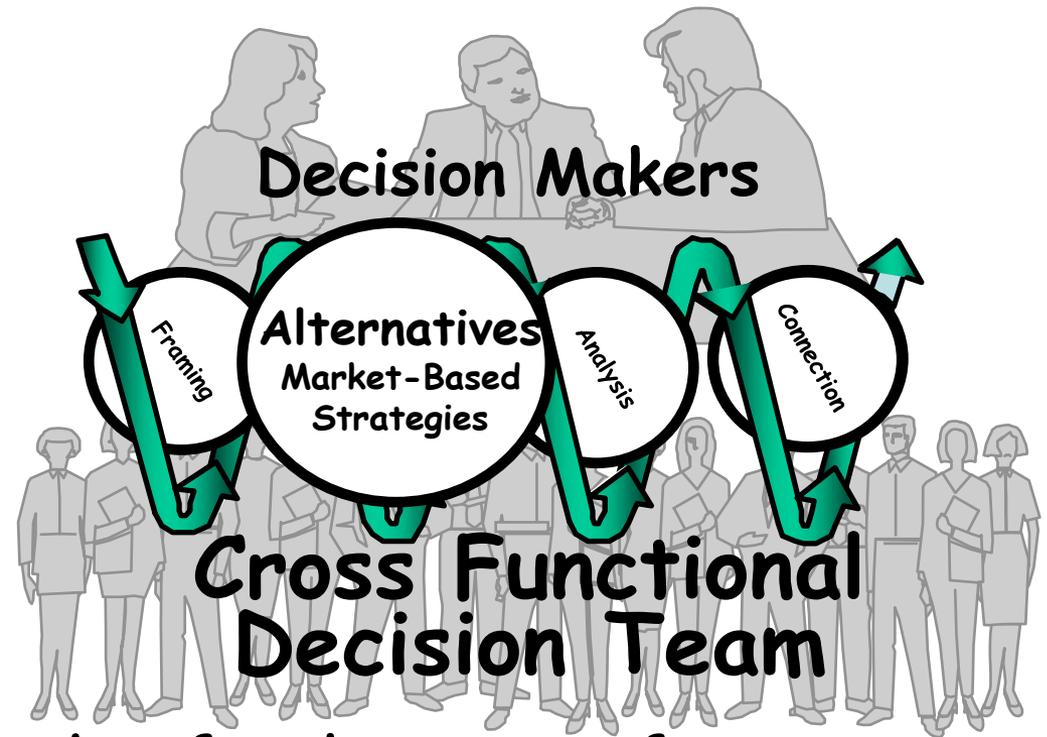
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## **NEEDS SEGMENTATION**

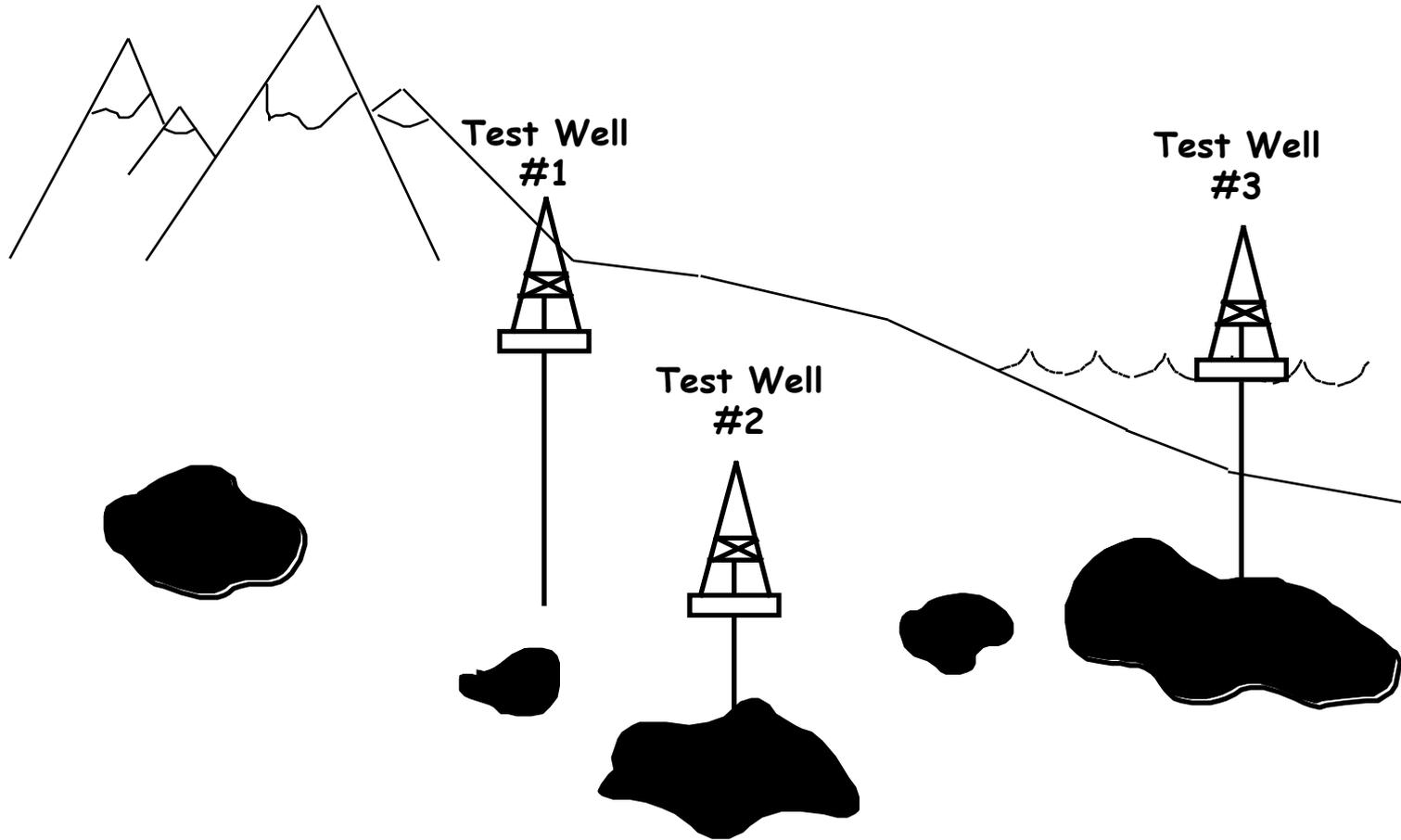
This segmentation scheme groups people according to shared needs or benefits - - both physical and psychological -- that they are seeking. Based on these shared needs and benefits individual customers are clustered into needs segments.

# *Second Step of the Decision Process*

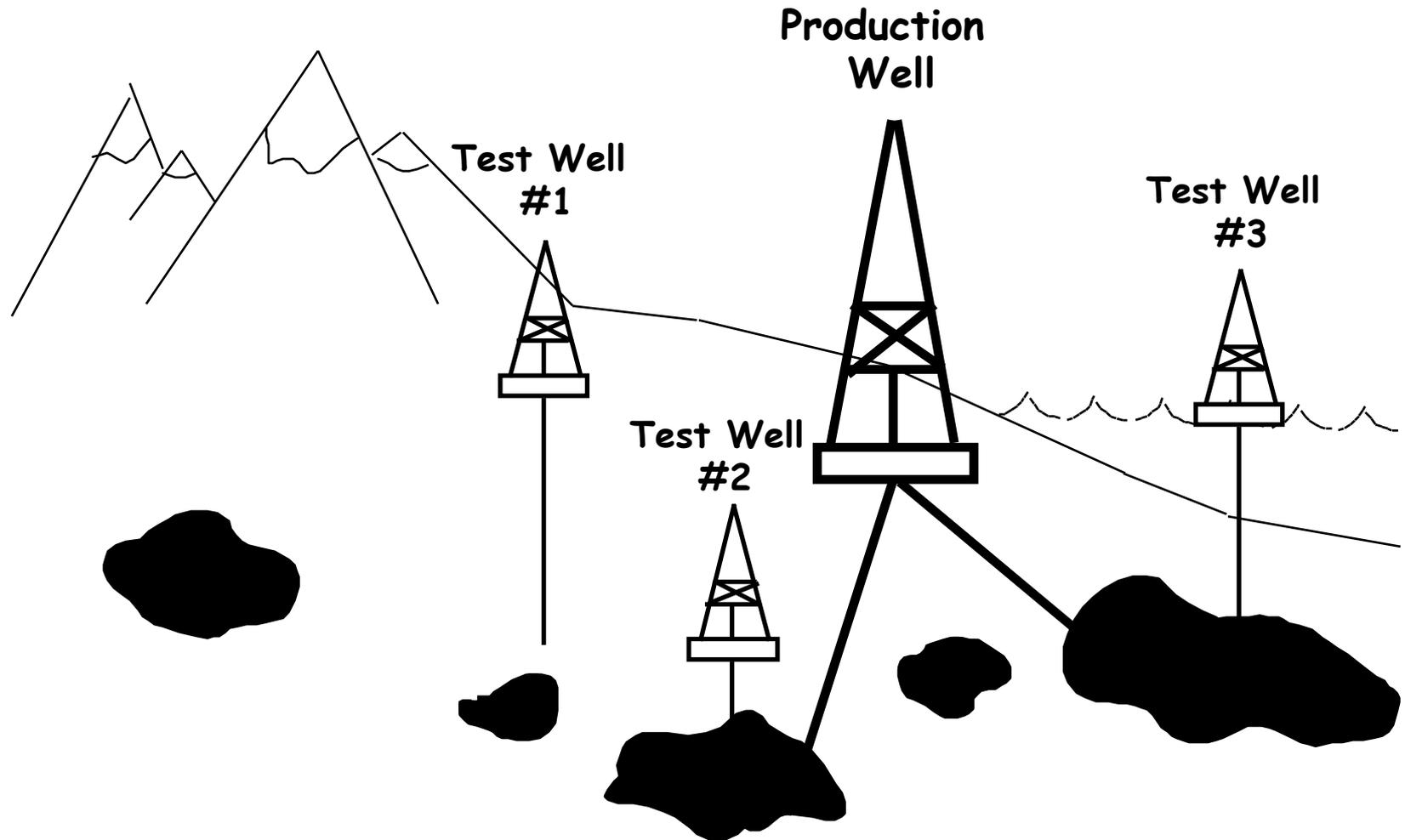


"...Ideally, the final range of alternatives represents the range of opinion and debate across the organization. In this sense, the DDP is a conflict-surfacing process."

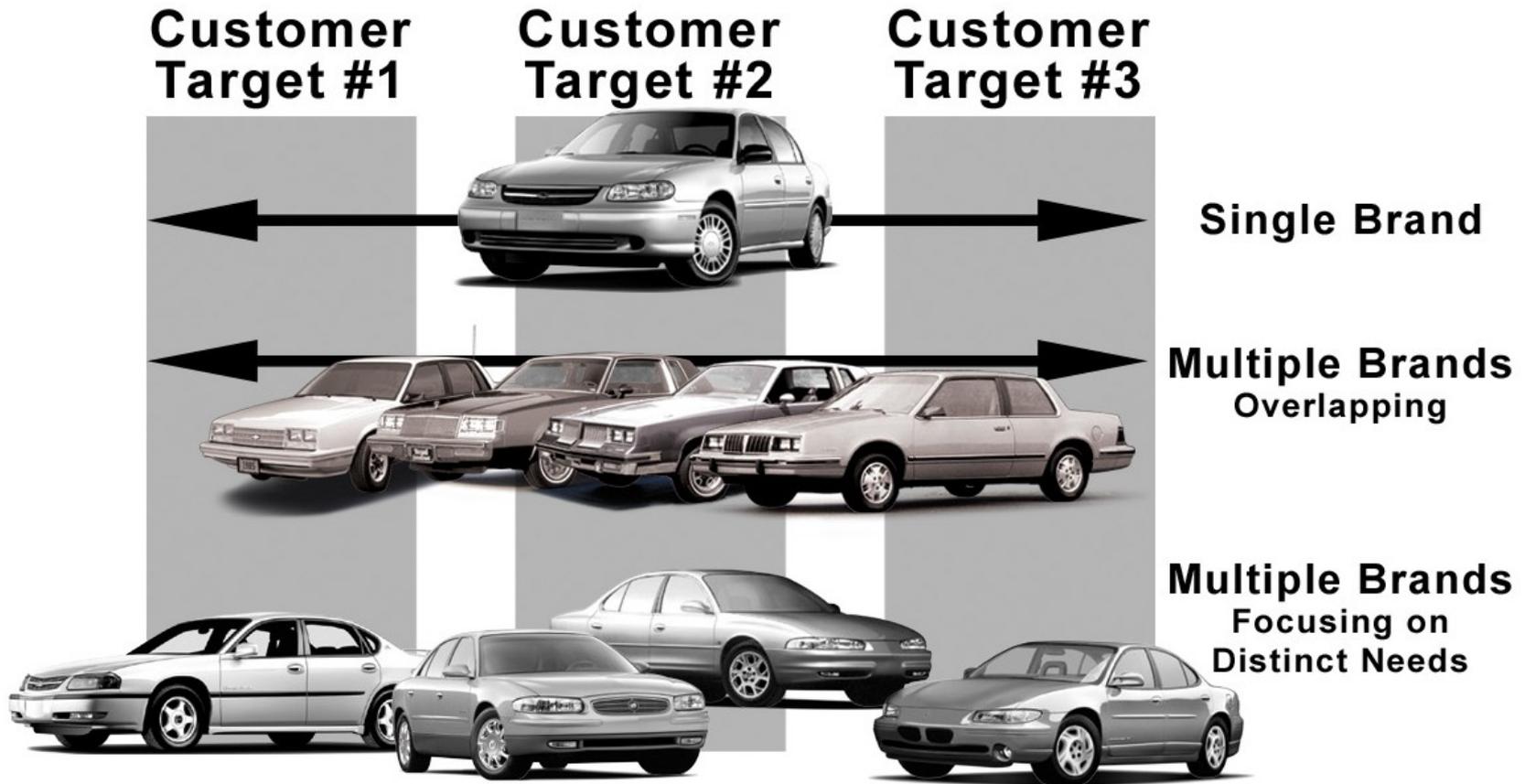
# Alternatives (Continued)



# *Alternatives (Continued)*



# Alternatives (Continued)

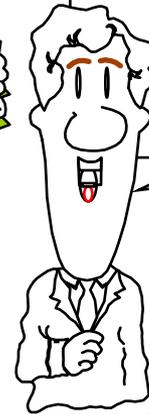


# Alternatives (Continued)

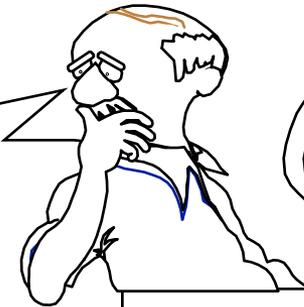
"Let's make more highly differentiated vehicles. Win back market share."



"Let's make fewer ...nearly perfect vehicles."



"It's not the cars stupid.....it's the cost structure."

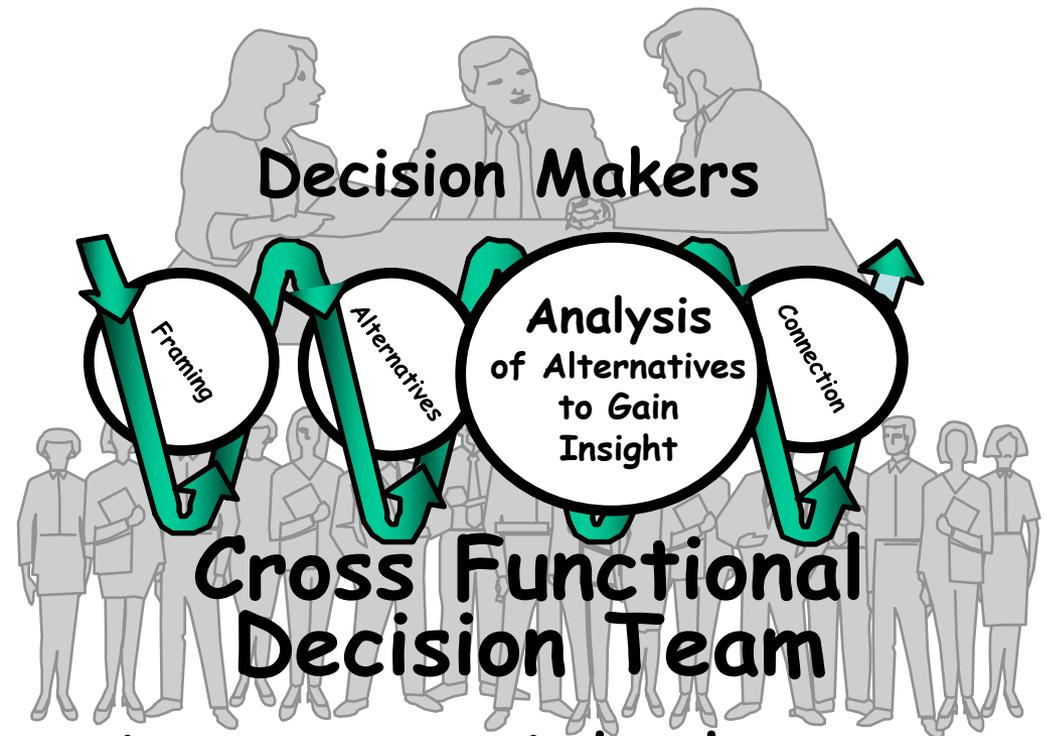


"Who needs to change? Let's do what we've always done -- better!"



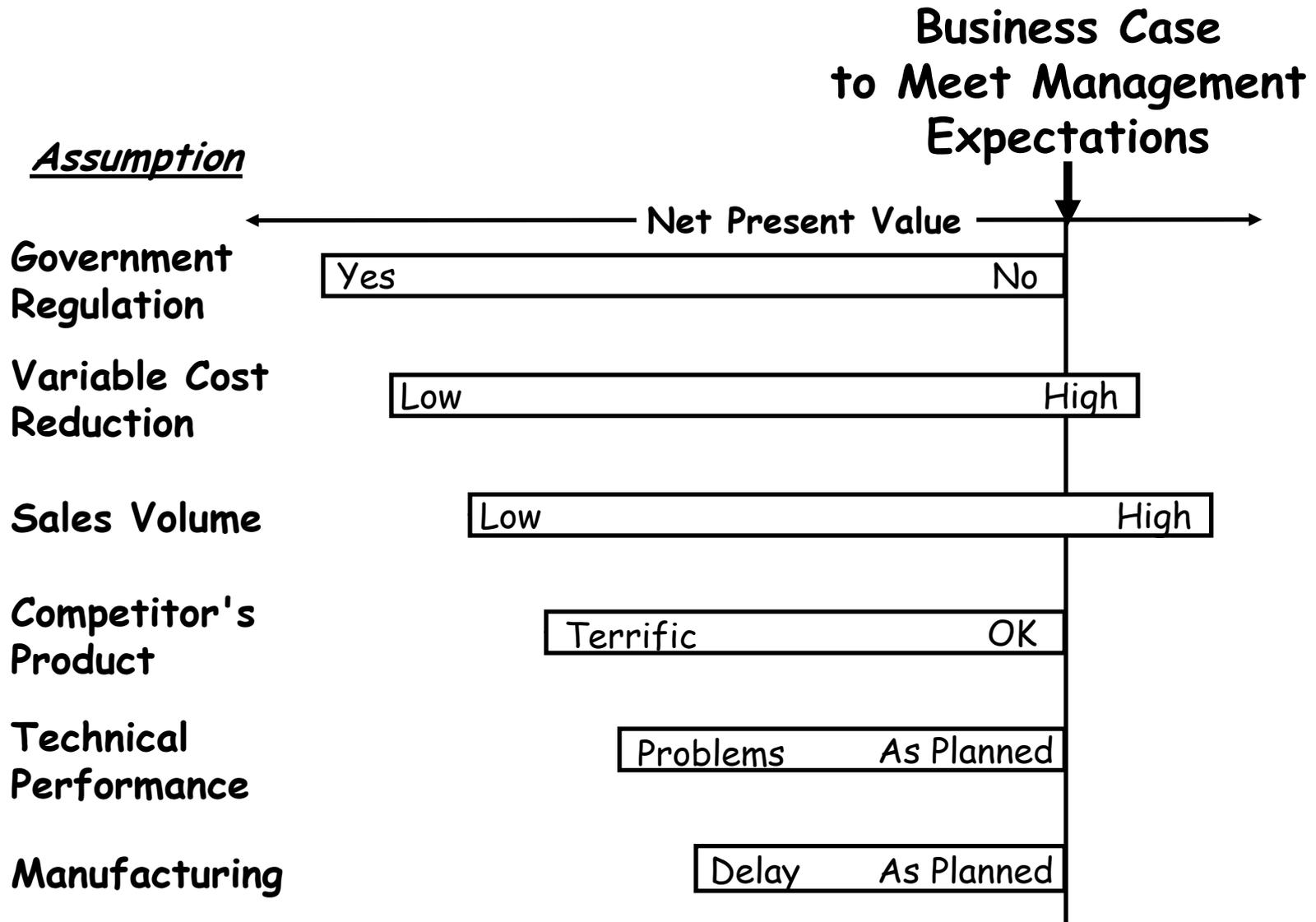
The decision challenge:  
*move from generating heat to generating light!*

# *Third Step of the Decision Process*



"...The intent is not to pick the best alternative but to develop insight into the value that is embedded in each."

# Analysis (Continued)



# Analysis (Continued)

Alternative Portfolio Strategies*	NPV (\$B)	Market Share (%)	Capital (\$B)	Variable Profit (\$B)	Operating Profit (\$B)
"Let's do what we've done before"	-	-	-	-	-
"...Win back Market Share"	-3	+8	+3	0	-1
"Fewer...nearly perfect vehicles"	+1	+3	0	0	0
"It's the cost structure"	-1	+5	+2	+2	0

The estimates shown here are only indicative of those actually used.

\*These alternatives are generalizations of original strategies

# Analysis (Continued)

Alternative Portfolio Strategies*	NPV (\$B)	Market Share (%)	Capital (\$B)	Variable Profit (\$B)	Operating Profit (\$B)
“Let’s do what we’ve done before”	—	—	—	—	—
“...Win back Market Share”	<b>-3</b>	<b>+8</b>	<b>+3</b>	<b>0</b>	<b>-1</b>
“Fewer...nearly perfect vehicles”	<b>+1</b>	<b>+3</b>	<b>0</b>	<b>0</b>	<b>0</b>
“It’s the cost structure”	<b>-1</b>	<b>+5</b>	<b>+2</b>	<b>+2</b>	<b>0</b>
<b>Profitable Share Portfolio</b>	<b>+11</b>	<b>+7</b>	<b>+1</b>	<b>+5</b>	<b>+4</b>

The estimates shown here are only indicative of those actually used.

\*These alternatives are generalizations of original strategies

# Analysis (Continued)

Best Business Case that could be developed  
...under the circumstances!

## Assumptions

Platform Variable Cost

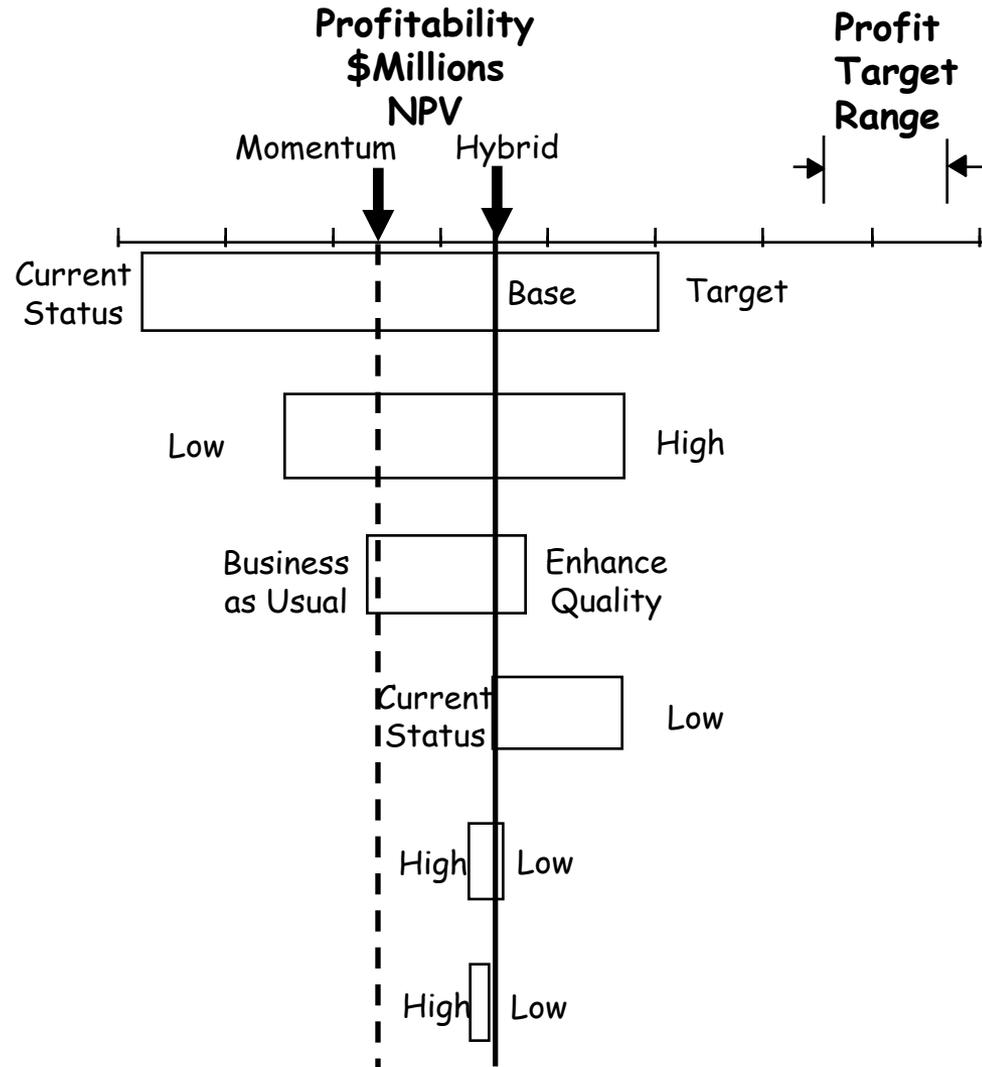
Platform Sales Volume

Quality

Sales Incentives

Capital Cost

Engineering Expense



# *Analysis (Continued)*

First Critical Finding:

Fixing the product portfolio will not fix the problem!

- Fix the *cost* problem
- Fix the *quality* problem-- both reality and perception

With both cost and quality improved, an improved product portfolio will generate \$billions!

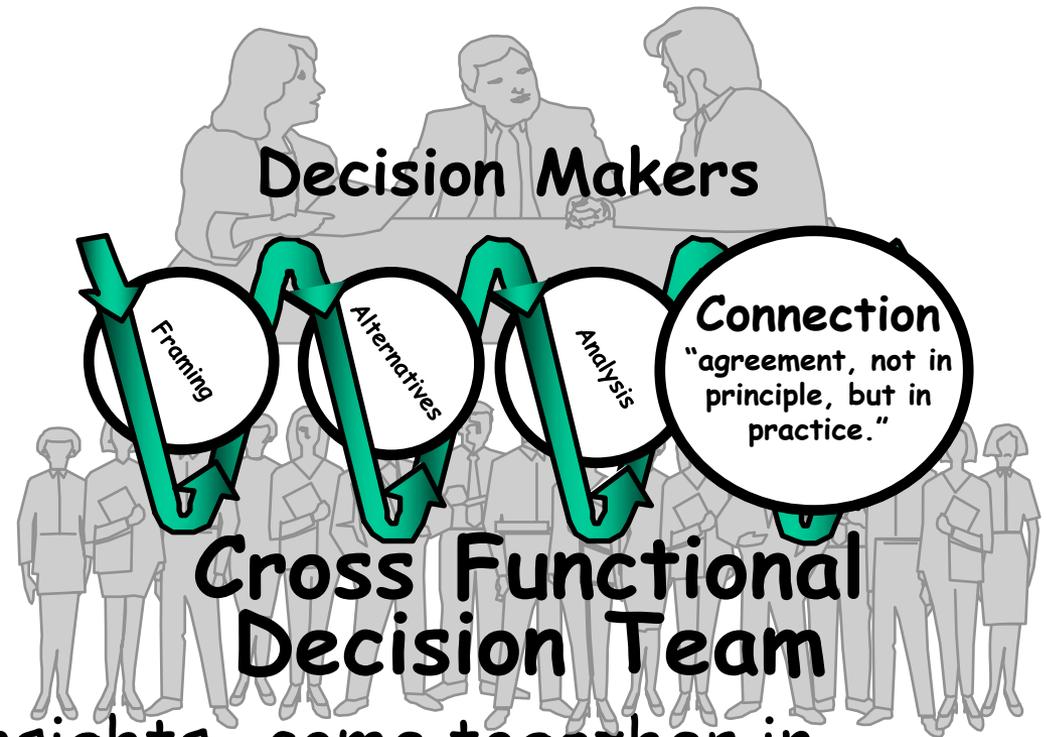
# *Analysis (Continued)*

Second Critical Finding:

## What it takes for GM to Fix the Portfolio

- Take advantage of our existing multi-brand distribution system to meet customer needs.  
*(Properly managed existing brands are assets not liabilities.)*
- Ensure enthusiastic customers and segment leadership, by providing products and services that match needs profiles and possess other threshold attributes -- such as quality, reliability and dependability and value pricing.  
*(The rules of the game have changed.)*
- Communicate to target markets that their specific needs are best met by GM than the competition.

# Fourth Step of the Decision Process



"...All of the shared insights...come together in connection in the form of three deliverables:

- a new alternative which combines the best elements of each of the initial alternatives; and
- the underlying rationale for the new alternative.
- the commitment to allocate resources."

## *Connection (Continued)*

**“The nature of consensus is not understood. It is complete agreement, not in principle, but in practice. It is this distinction that is not widely grasped.”**

**Russ Ackoff**

# Connection (Continued)

"Let's make more highly differentiated vehicles. Win back market share."

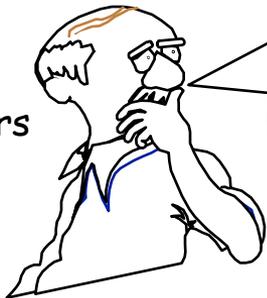


"Although *I* might disagree in principle, we agree this is the right action for GM to take ...under these circumstances"

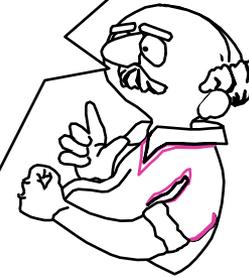
"Let's make fewer...nearly perfect vehicles."



"It's not the cars stupid...  
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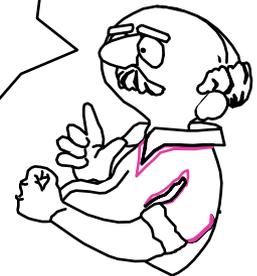
**The challenge:** Effectively and efficiently integrate the expertise and insight of each of these perspectives into a unified course of action...***generating light not heat!***

# Connection (Continued)

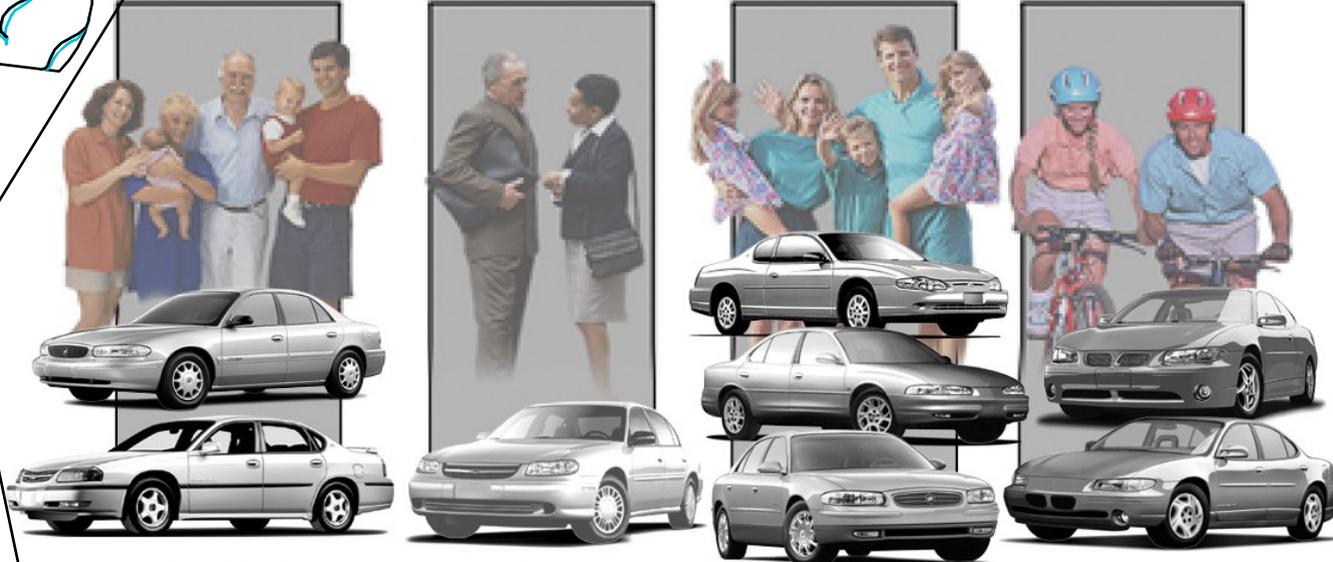
"fewer...  
nearly  
perfect  
vehicles."



"...Let's do  
what we've  
always done  
- better!"



## Mid-size Vehicles



**Mid-1**  
Family  
Affordability

**Mid-2**  
Basic  
Transportation

**Mid-3**  
Family  
Fun

**Mid-4**  
Upscale  
Sports

"...Win back  
market share."



"...it's the cost  
structure"



# *Results*

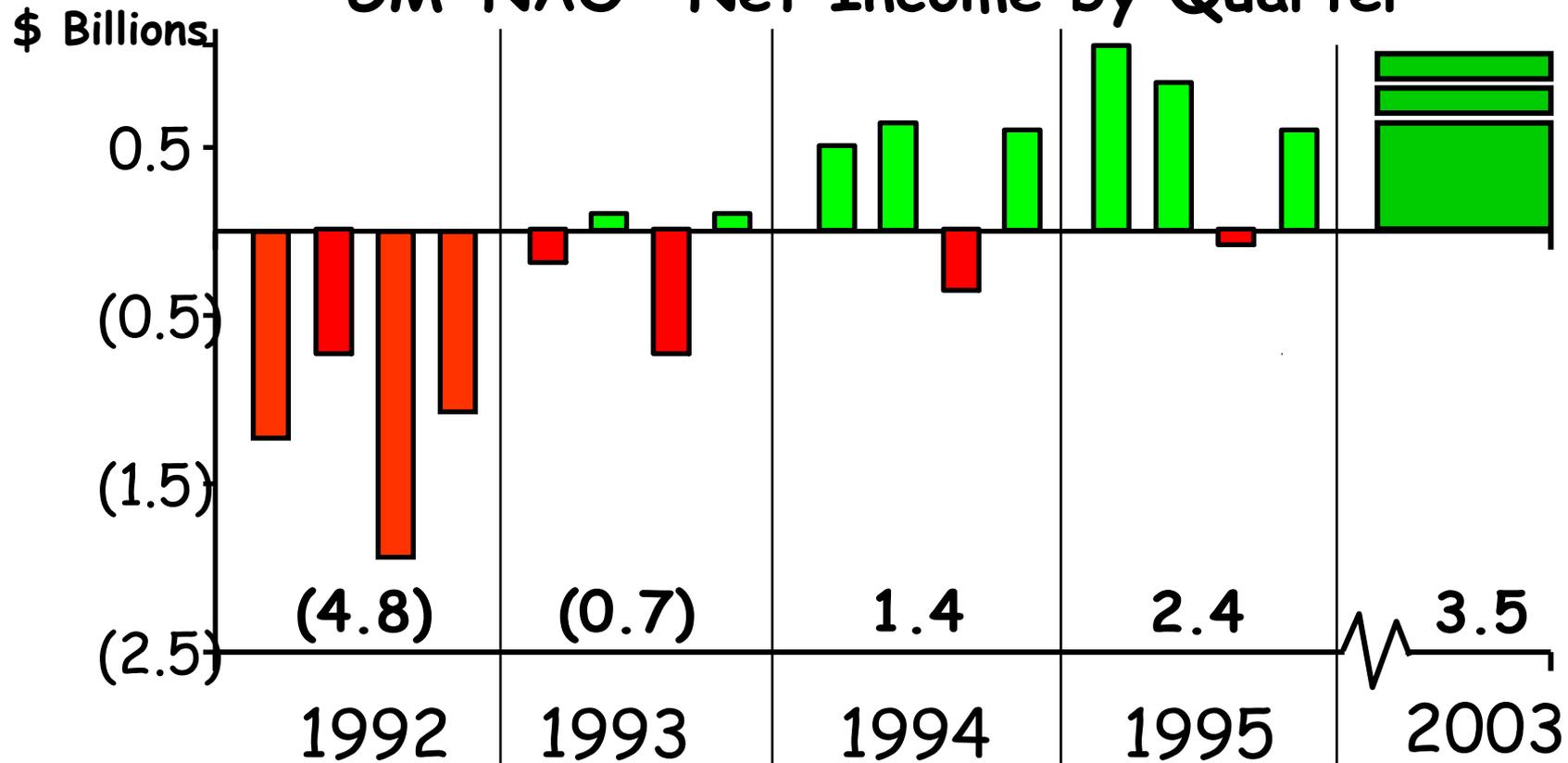
## *First Things First...*

- Quality:
  - **J. D. Powers First Chairman's Award:** "Based on our findings, GM has consistently over the past five years been the top ranked corporation in initial sales satisfaction covering customer satisfaction with purchase, delivery and initial vehicle condition."
- Cost
  - Harbour and Associates identified GM as the "most improved."

# What's the value of the process?

## *Financial Results (approximate)*

**GM-NAO\* Net Income by Quarter**



\*Includes Delphi Automotive Systems; excludes special items

# What's the value of the process?

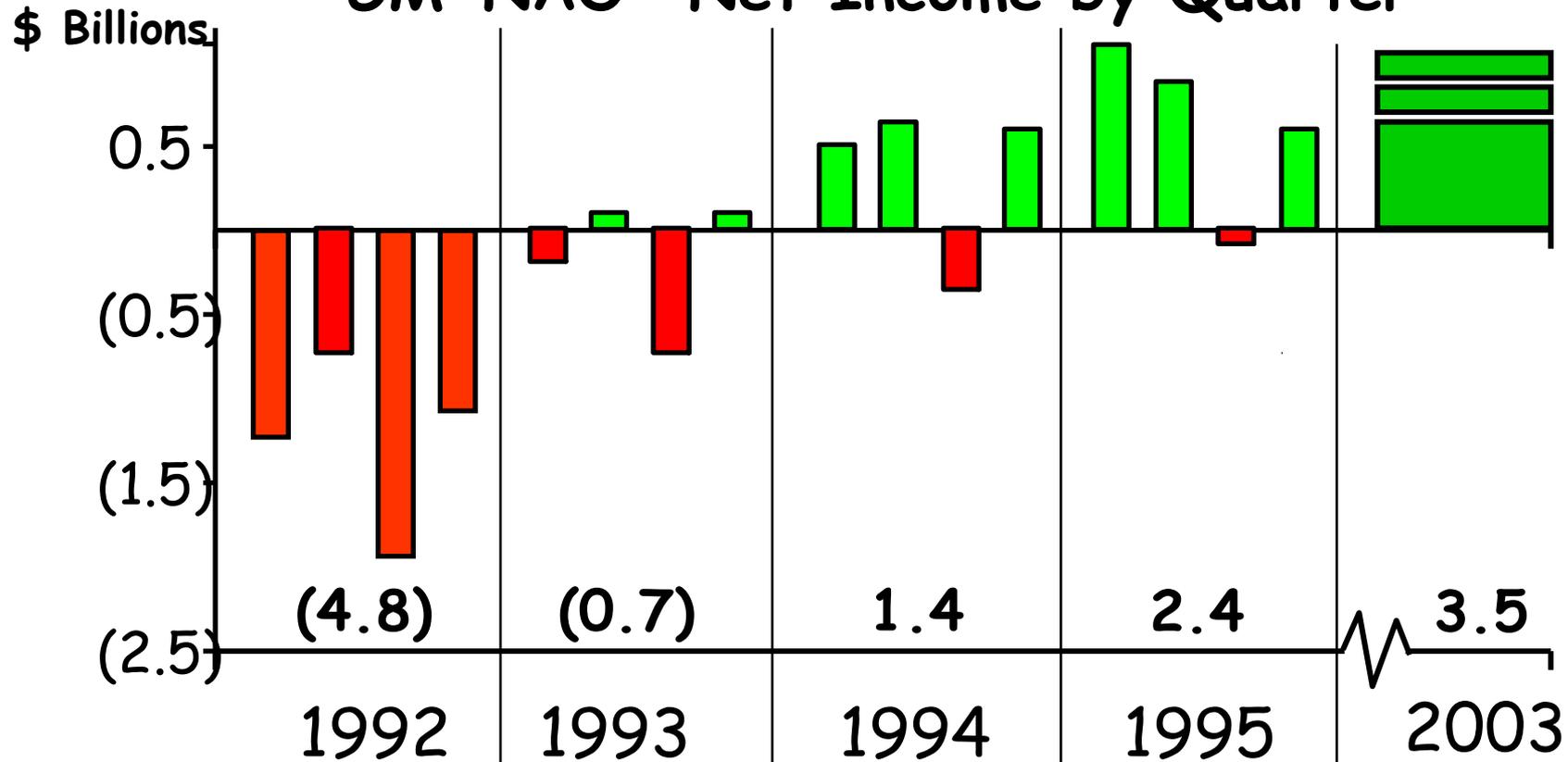
## *Financial Results (approximate)*

Pension Fund

<\$21B>

\$3B

### GM-NAO\* Net Income by Quarter



\*Includes Delphi Automotive Systems; excludes special items

# 1990 GM the MID Market Segment Leader

Twenty vehicles achieved a market share of 31.3% that contributed no profits to the enterprise. Market Share Effectiveness Ratio .75 [market share (31.3%) / entry share (42%)]

	GM	Ford	Toyota	Honda
1991	.75	1.73	1.38	2.19

# 2000 GM the Mid Market Segment Leader

Seven vehicles achieved a market share of 23.4% that led to increased productivity, improved quality and significantly improved profit contribution. Market Share Effectiveness Ratio 1.10 [market share (23.4%) / entry share (21.1%)]

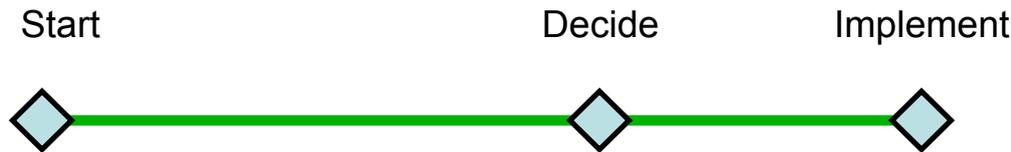
	GM	Ford	Toyota	Honda
1991	.75	1.73	1.38	2.19
2001	1.10	1.44	1.31	1.36
Differences	+.35	-.29	-.07	-.83

## Impact of GM Mid-sized vehicles on Ford Taurus Retail Sales Volume

	Mid-1	Mid-2	Mid-3	Mid-4	Total
1996 Taurus/Sable	90,000	57,000	44,000	67,000	258,000
1999 Taurus/Sable	83,000	58,000	38,000	45,000	224,000
Volume Difference	- 7,000	1,000	- 6,000	-22,000	-34,000
Percentage Difference	-8%	2%	-14%	-33%	-13%

DDP has shortened the implementation cycle ~50% by building quality into the decision making process.

### DDP Timeline



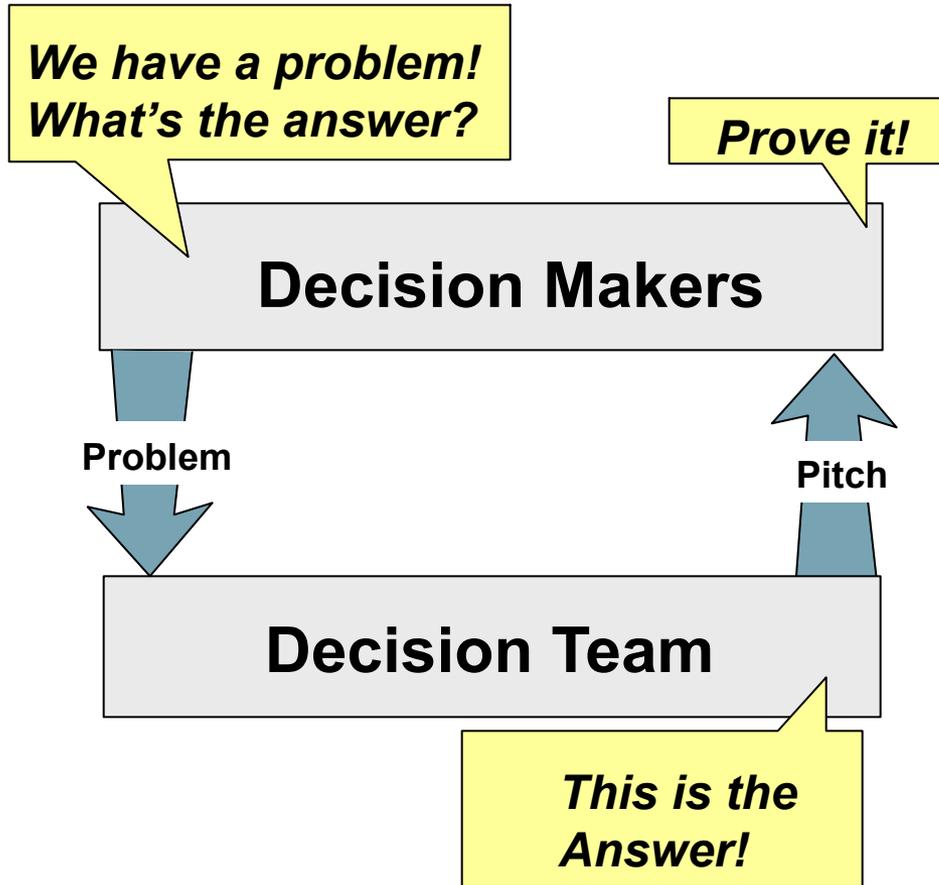
### Traditional Timeline



# A major shift in the decision process

...

## Traditional Process



## Dialogue Decision Process

